



**Written Statement of Brad Nathan**

**President, Quebecor World Logistics**

**Before the President's Commission on the United States Postal Service**

**Wednesday, May 28, 2003**

My name is Brad Nathan and I am President of Quebecor World Logistics. My division is the logistics business unit of Quebecor World, the largest commercial printing company in the world and the market leader in catalogs, magazines and direct mail, representing approximately 16% of the Postal Service's volume by weight. I appreciate this opportunity to share some private sector insights regarding steps the Postal Service should take to reduce overall costs and increase operational efficiencies. Since I have been asked to keep my comments to five minutes, I will focus my remarks on two ideas and will be available afterward for questions.

**Reduce overall costs by enhanced outsourcing**

As stated in the Transformation Plan, the Postal Service operates in six major markets – retail, financial services, communications, advertising, logistics and delivery services. Although there are numerous outsourcing opportunities within each market, my comments pertain specifically to advancing outsourcing initiatives within the logistics and delivery services arena.

On April 4<sup>th</sup>, you witnessed testimony from both Federal Express and Airborne regarding how well a public sector provider can supplement the services provided by a private sector company in a competitive market. I'd like to take this concept one step further by explaining a potential scenario that could provide increased efficiencies and reduced costs in ground transportation.

In FY 2002, the Postal Service spent \$5.1 billion in transportation. If the Postal Service was allowed more flexibility in transportation management, it could drive efficiency and generate significant savings. Barriers must be relaxed, whether statutory or cultural, so these benefits can be fully realized.

You have already heard that worksharing rate incentives yield savings of over \$15 billion a year to the Postal Service. Additionally, drop shipping has proven to be a true worksharing success story, which has saved the Postal Service millions of dollars in transportation expenses and provided the industry an opportunity to enhance delivery and reduce postage expense. We strongly support these worksharing initiatives and recommend that such activities be expanded. As an extension of these previously successful endeavors, the Postal Service should collaborate with its business partners to further reduce transportation, handling and fuel expenses.

Although the Postal Service already contracts out all of its transportation, there are additional ways that the Postal Service and private industry can work together relative to outsourcing. In today's environment, mailers deliver palletized mail to all Bulk Mail Centers (BMC's) and each

Sectional Center Facility (SCF) associated with their BMC service areas every day. Coinciding with the transportation movements in the private industry, the Postal Service is also delivering to these same BMC's and SCF's. In other words, we have trucks moving in the same lanes, often at less-than-full capacity. A collaborative effort could result in increased efficiency, service improvements and cost reduction. The Postal Service needs the flexibility to partner with its mailing customers in innovative ways to reduce combined costs. Through optimization and collaborative systems, we could coordinate efficient transportation capacity and potentially eliminate underutilized postal transportation.

We believe that further outsourcing of transportation can lead to lowest combined costs, more flexibility, less risk for the Postal Service, greater efficiencies and ultimately, growth opportunities. Additionally, we believe that, combined with the Network Integration Alignment initiative, optimization of the industry's entire network can be achieved.

### **Increase operational efficiencies through the efficient use of data**

The Postal Service should utilize technology to enhance the value of its services and to increase overall operational efficiencies. By doing so, it will also increase customer satisfaction. More specifically, I am referring to the use of CONFIRM/PLANET™ Code scan data. This technology, which allows mailers to place a PLANET™ barcode on their mailpieces for tracking, has yet to reach its full potential and is largely underutilized by postal management. The program would allow them to identify operational inefficiencies and provide tracking and tracing information to their valuable customers. Additionally, we believe that the Postal Service should be required to establish and publish performance standards for all classes of mail.

You frequently hear the Postal Service claim that service levels are at an all time high. Reportedly, customer satisfaction is also at record levels. This may be true in First Class and other subclasses such as Parcel Select, but it is less certain or even untrue for Standard (advertising) mailers. Catalogers depend on consistent and predictable mail delivery. Catalog companies control costs by predicting mail order call volumes and managing telemarketing staffing. Additionally, inventory decisions are made based on buying patterns in the early life of a catalog. It is important to note that it is not expeditious delivery that advertising mailers require – it's *consistent* delivery.

As we are committed to understanding the importance of delivery information, my company maintains a customer service department dedicated solely to tracking and reporting projected mail delivery to our customers. While the Postal Service currently maintains no such entity, it should recognize the benefits and value of delivery information and report aggregate service performance information to its customers.

We strongly encourage the Postal Service to establish performance standards and develop tracking and tracing capabilities for all classes of mail – and ultimately, proceed with their "One Code Vision". By doing so, operational efficiencies and increased customer satisfaction will result.

### **About Quebecor World**

Quebecor World Inc. (NYSE; TSX: IQW) is the largest commercial printer in the world. It is a market leader in most of its major product categories which include magazines, inserts and circulars, books, catalogs, specialty printing, and direct mail, directories, digital pre-media, logistics, mail list technologies and other value added services. Quebecor World Inc. has approximately 39,000 employees working in more than 160 printing and related facilities in the United States, Canada, Brazil, France, the United Kingdom, Belgium, Spain, Austria, Sweden, Switzerland, Finland, Chile, Argentina, Peru, Colombia, Mexico and India.

[www.quebecorworld.com](http://www.quebecorworld.com)

### **About Quebecor World Logistics**

Quebecor World Logistics is the logistics arm of Quebecor World, Inc. Quebecor World Logistics was formed in 1999 through a series of mergers and acquisitions. By leveraging the resources of the previous World Color and Quebecor

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logistics groups and bringing in the appropriate outside expertise, the current organization was formed. First created as a distinct entity within World Color, this organization has a long history of groundbreaking innovation in the distribution world. As the world's largest distributor of catalogs, periodicals, direct mail, retail inserts and books, Quebecor World Logistics provides logistics services for all Quebecor World locations and customers around the globe, distributing newspaper inserts and Sunday magazines as well as printed product in all classes of mail, bulk shipments, air freight and newsstand.

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